



SECTION 6

Agency Administrative and Staffing Costs

Capital construction funds, whether funded with bond proceeds or revenues deriving from fees or other cash, are dedicated to the acquisition, construction, and renovation of capital assets. These funds should not be used to subsidize operating budget costs. Agency administrative and other overhead staff costs have the highest likelihood for reprogramming into capital budgets. OFM will work with agencies to help prevent the shifting of planned operating budget costs to the capital budget.

Allowable agency staff costs must be specific to the capital project and directly relate to the execution of the project. For example, staff costs for consultant selection, in-agency design and project inspections are directly related to the execution of the capital project and are allowable costs. Staff costs not eligible for inclusion in a capital project should be included in the agency's operating budget.

6.1 Administrative Cost Standards

The following guidelines will help clarify appropriate budgeting of administrative and staff expenses for the completion of capital projects.

Agency capital budgeting, facility management, and planning functions

Agency administrative costs related to capital budget development, capital facility management, long-range budget planning and policy initiatives are more appropriately included in the operating budget, since they exist regardless of the particular composition of agency projects proposed each biennium.

Project management

Typical project management tasks, their definitions and preferred fund source for each task are listed below.

Statewide capital process

Project Management Task	Fund
Statewide capital process	
Non project-specific tasks associated with regulation and policy development, contract(s) development, inter-agency initiatives, legislative oversight, etc. Tasks in this category are generally performed, or directly supervised, by executive level agency staff	Agency Operating Funds

**Agency capital
development process****Agency Capital Development Process**

1. Non project-specific tasks associated with overall general comprehensive planning for facilities and infrastructure, identification and prioritization of capital projects, and preparation of agency capital requests. Tasks in this subcategory are generally performed, or directly supervised, by executive or program management level agency staff.

Agency
Operating
Funds

2. Non project-specific tasks associated with general support of project management operations, including staff management, staff support, general accounting, statutory accounting and management of public information related to an Agency's capital program. Tasks in this subcategory are generally performed by agency professional and technical staff.

Project
Mgmt. Fee**Project consultant****Project Consultant**

1. Routine project management tasks, associated with consultant selection, contract negotiation, and day to day administration of consultant agreements and public works contracts for individual capital projects. Tasks in this category are generally performed by agency professional staff.

Project
Mgmt. Fee

2. Additional project-specific tasks that may be required due to specific project requirements or agency practice. Tasks include project design (when performed by agency professional staff in lieu of consultants); land use applications, environmental assessments, hazardous material assessments and other special design studies, not routinely required for all projects; and building code plan review services (when not otherwise performed by local jurisdictions).

Project
Expenses

Bidding/contract award**Bidding/Contract Award**

- | | |
|---|----------------------|
| 1. Project-specific tasks associated with identification of project Agency base bid and alternates, determination of bid date and time, opening and evaluation of bids, and resolution of bidding irregularities when they occur. These tasks are routinely performed by agency management or professional staff. | Project
Mgmt. Fee |
| 2. Project-specific tasks associated with reproduction and distribution of construction documents for bidding including addenda, are routinely performed by the design consultant or agency staff. | Project
Expense |

Construction**Construction**

- | | |
|---|------------------------------|
| 1. Provision of Emergency Services (to the extent provided by an agency) and infrastructure management (utilities). | Agency
Operating
Funds |
| 2. Routine project-specific tasks performed by agency staff associated with administration of construction contracts, coordination of agency reviews of construction submittals, monitoring of project schedules, and monitoring of consultant and contractor performance. | Project
Mgmt. Fee |
| 3. Additional project-specific tasks that may be required due to specific project requirements or agency practice. Tasks include, building code inspection services (when otherwise not performed by local jurisdictions), enhanced construction phase administration for complex project, etc. These additional services may be performed by qualified agency staff or by consultants. | Project
Expense |

Agency contract administration

Agency staff frequently perform contract administration tasks – processing agreements and contracts, change orders, managing a bid process, verifying bills for payment, etc. – in the execution of a capital project. Common agency accounting practices for these costs involves either: 1) charging each project directly for costs incurred, or 2) assessing a project administration fee across agency capital projects and using the pooled funds to pay agency overhead costs.

Project administration fees may not exceed 3 percent of the total new appropriated project cost on projects of \$1 million and less, regardless of whether these fees are charged as a percentage or charged directly to a project.

For projects in excess of \$1 million, the project administrative fee will be based on the A/E Fee Schedule B, Basic Service, less 3 percent. This rate is intended to be a ceiling, not a target. Therefore agencies should evaluate their project administration requirements for each project when requesting these fees.

Agency design and professional staff

Some agencies employ professional staff for planning, environmental permitting and design services. These staff costs may be charged to capital projects only for the time and expenses directly related to performing the scope of work for the project appropriated in the capital budget. The remainder of those staff costs should be charged to the operating budget. The cost for agency staff should be estimated and incorporated into the total cost of the individual capital project and not as a separately identified staff cost. Agencies must identify these staff and their anticipated percentage FTE expenditure on capital projects on the agency's Capital Budget FTE Summary form.

Agency maintenance functions

Agency ordinary maintenance as well as costs associated with routine janitorial activities and the day-to-day upkeep normally funded by the operating budget are ongoing operating expenses and not charged to capital appropriations.

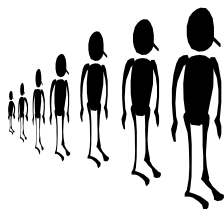
Agency trades staff costs may be charged to capital projects only for the time and expenses directly related to performing the scope of work for the project appropriated in the capital budget. The remainder of trades staff costs should be charged to the operating budget. Do not shift planned operating budget expenditures to capital project funds. The cost for agency trades staff should be

estimated and incorporated into the total construction cost of the individual capital project and not as a separately identified staff cost. Agencies must identify these trades staff and their anticipated percentage FTE expenditure on capital projects on the agency's Capital Budget FTE Summary form.

Self-performed agency labor

Agencies may choose to use existing or temporary staff to perform some elements of a specific capital project that might otherwise be accomplished by a construction contract. Examples might be the use of a Correctional Industries crew for asbestos abatement, assigning minor works activity to the Washington Conservation Corps, utilizing Americorps Construction Services, performing work under interagency agreements, or using agency trade staff to perform electrical work or related finishing work on a specific project. As noted above for agency trade staff, the cost for self-performed agency labor should be estimated as part of the total construction cost of the individual capital project and not as a separately identified staff cost.

6.2 Capital Budget FTE Summary



FTE figures, historically requested during the allotment process, will be required during the budget request process. Comparison to past biennium figures by fiscal year should reflect a reduction in FTEs unless there are significant changes in the level of appropriation for the agency. A narrative should be provided describing any increases or significant changes in the level of FTEs requested.

In addition to the identification of FTEs, it is necessary to identify the fund sources that will be used and level of anticipated expenditures.

The **Capital Budget FTE Summary** report is available for entry, print and electronic transmission of data to OFM from the BASS Capital Budget System (CBS). The CBS Tutorial has more information on **Capital Budget FTE Summary** entry.